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## Tax News

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# TAX NEWS

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By LOUISE A. SALLMANN, C. P. A., Oakland, California

Now that we have all had the opportunity to relax and spend the fruits of our labors during the past three and one half months, no one, but no one, is at all interested in "Tax News"—including the promulgators of same. 'Tis true, minor legislative attempts to add to or subtract from the existing code have been made but at the date of this writing the only legislation of any importance has been the continuance of the corporation normal tax at 30% with the over-all rate at 52% for another year. Some consideration was given to the proposed Fulbright amendment which would effect a lower tax to smaller corporations and an increase to larger ones. However, Congress felt that there was insufficient time to properly review this proposal and until April 1, 1957 we will continue to compute corporate taxes under the existing rates.

There have been a few interesting tax court cases. One, in particular, strikes your editor's fancy because two prominent California Certified Public Accountants have recently returned from African Safaris, that is, just before the start of the tax season. It is the case of Sanitary Farms Dairy, 25 TC No. 58. Mr. Brock, of said company, was the outdoorsy type and quite frequently engaged in hunting activity, feeding the results to customers actual and potential. The dairy sponsored his trip to Africa at a cost of \$16,818.16, thereby gaining a good deal of free publicity from newspaper reports of details of the trip and news of the hunt. Sanitary Dairy was allowed the deduction and Mr. Brock was not required to report the cost of the trip as income. They say it pays to advertise!

Devotees of TV will appreciate George Wright's tax problem. He is a 14-year-old winner of a \$100,000 TV quiz prize. The following circumstances have not as yet become the subject of a tax court case but they certainly may provide all the proper ingredients. It seems that young George proposed filing as head of household—paying over half the cost of maintaining his family's household, and claiming his mother, brother and sister as dependents by furnishing more than half their support. His father plans to file a separate

return, claiming no dependents. The question is, may George get the dependency exemption although someone else has a legal duty to support the persons for whom he is furnishing over half the support?

Prentice-Hall's answer is a "confident yes." Say they, before the Income Tax Act of 1944 there was an exemption for each person "dependent upon and receiving his chief support from the taxpayer." The phrase "dependent upon" implied a necessary legal dependency relationship. But in the 1944 Act and subsequent Acts there is no trace of the words "dependent upon," the test is a matter of relationship and support as well as taxable income of the dependent.

Incidentally, the tax saving to George amounts to \$8,168.

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## Conclusion

The Final Report states that it is impossible, because of the overlapping of task force estimates, to make an accurate total of the probable savings. However, the Report does state that "there are enough possible savings left to enable the balancing of the budget and reduction of taxes." It is the latter—"reduction of taxes"—which is the stimulus for interest by citizens' groups throughout the United States. It is only through an awakened interest by us, as taxpayers and citizens, that many of these recommendations can become effective.

Mrs. India Edwards, in stating her desire for the implementation of the report, pointed out that, "there is no political sex appeal in government reorganization." However, she and others, regardless of political affiliation, stress the need for keeping informed on the subject, discussing it with friends, stimulating organizational interest in it, and expressing our thoughts on the problem to those who represent us in the national government.

You can obtain further detailed information on the various phases of the reports, or any specific report in which you may be interested, by contacting The Citizens Committee for the Hoover Reports, 441 Lexington Avenue, New York 17, New York.